

Message Text

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ACTION EA-14

INFO OCT-01 AF-10 ARA-16 EUR-25 NEA-14 ISO-00 FEA-02

AEC-11 AID-20 CEA-02 CIAE-00 CIEP-03 COME-00 DODE-00

EB-11 FPC-01 H-03 INR-11 INT-08 L-03 NSAE-00 NSC-07

OMB-01 PM-07 RSC-01 SAM-01 SCI-06 SP-03 SS-20 STR-08

TRSE-00 FRB-03 PA-04 USIA-15 PRS-01 SWF-02 IO-14

DRC-01 /249 W

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P R 010815Z OCT 74

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC PRIORITY 4682

INFO AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

AMEMBASSY BEIRUT

AMEMBASSY BONN

USEC BRUSSELS 180

AMEMBASSY CARACAS

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LAGOS

AMEMBASSY LONDON

AMEMBASSY MOSCOW

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY QUITO

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

USMISSION UN

AMCONSUL MEDAN

AMCONSUL SURABAYA

C O N F I D E N T I A L SECTION 1 OF 2 JAKARTA 12170

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E.O. 11652: GDS

TAGS: ENRG ID

SUBJECT: ENERGY: REPORT ON FEA CONTACTORS VISIT

REF: A. STATE 205383 (NOTAL)
B. JAKARTA 12070 (NOTAL)
C. JAKARTA 12124 (NOTAL)

1. SUMMARY. ON SEPT 27 FEDERAL ENERGY ADMINISTRATION (FEA) CONTRACTORS CONCLUDED A VERY USEFUL AND PRODUCTIVE FIVE-DAY VISIT TO INDONESIA. CONTRACTORS MET WITH VIRTUALLY ALL KEY GOI AND PERTAMINA OFFICIALS AS WELL AS SEVERAL U.S. COMPANY MANAGERS. GOI AND PERTAMINA OFFICIALS COMMENTS INDICATED STRONG DESIRE FOR PRODUCING AND CONSUMING COUNTRY CONSULTATION AND COOPERATION ON ENERGY AND ENERGY-RELATED ISSUES (PERHAPS IN OECD-OPEC CONTEXT) BUT THEY DID NOT BELIEVE USG SHOULD TAKE LEAD. HOWEVER, MAJOR EFFORT NEEDED TO CREATE NEW ATMOSPHERE INTERNATIONALLY BEFORE DIALOGUE COULD BE INITIATED SUCCESSFULLY. WITHOUT EXCEPTION GOI/PERTAMINA OFFICIALS WERE FRANK AND CANDID DURING INTERVIEWS AND APPRECIATED OPPORTUNITY TO EXPRESS VIEWS ON VERY SENSITIVE ISSUES IN INFORMAL ATMOSPHERE OF GIVE AND TAKE. END SUMMARY.

2. DURING PERIOD 9/23-27 FEA CONTRACTORS, WITH EMBASSY ASSISTANCE, MET WITH BROAD RANGE GOI/PERTAMINA AND COMPANY REPRESENTATIVES TO DISCUSS USG OPTIONS IN ITS RELATIONSHIP TO US PETROLEUM INDUSTRY AND PRODUCING/CONSUMING NATIONS IN INTERNATIONAL AFFAIRS. FEA CONTRACTORS, ACCCOMPANIED BY EMBOFF, INTERVIEWED MINMINING SADLI, MINRESEARCH SUMITRO, GOI DIRECTOR FOR OIL AND GAS (WIJARSO), SECRETARY PERTAMINA'S BOARD OF COMMISSIONERS (GOZALI), DIRECTOR PERTAMINA'S LEGAL AND FOREIGN MARKETING DIVISION (DR. SANGER), DEPUT CHIEF PERTAMINA'S LEGAL AND FOREIGN MARKETING DIVISION (TIRTO UCOMO), PETAMINA'S DIRECTOR FOR EXPLORATION AND PRODUCTION (RISULO) AND GOI CONSULTANT WILLIAM HOLLINGER. (CONTRACTORS DID NOT MEET WITH CONFIDENTIAL

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GEN. IBNU, WHO WAS IN EUROPE, BUT DO HOPE TO ARRANGE MEETING WITH FEA ADMINISTRATOR SAWHILL WHEN IBNU VISITS WASHINGTON EARLY NOVEMBER.) FEA CONTRACTORS ALSO MET WITH CALTEX CHAIRMAN TAHJA, STANVAC MANAGER HUDSON AND IIAPCO MANAGER KHALA. ALTHOUGH INTERVIEWS TOOK PLACE AGAINST BACKDROP OF INFLAMMATORY PRESS ACCOUNTS OF PRSIDENT FORD'S WORLD ENERGY CONFERENCE SPEECH, SECRETAY

KISSINGER'S UN SPEECH (REFTEL B) AND PREPARATIONS FOR PRICE CONSULTATIONS AMONG GOI/PERTAMINA AND PRODUCING COMPANY REPRESENTATIVES (PRICE DECISON REPORTED REFTEL C), ALL INTERVIEWEES WERE GENERAOUS WITH THIR TIME AND UNIVERSALLY FRANK AND CORDIAL. FEA CONTRACTORS PROVIDED EMBASSY WITH PRELIMINARY DRAFTS OF EXTENSIVE NOTES TAKEN DURING INTERVIEWS AND PROMISED SEND FINAL TEXTS IN NEXT FEW WEEKS.

3. FEA CONTRACTORS GAVE AMBASSADOR DETAILED WRITTEN REPORT PRIOR DEPARTURE SUMMARIZING INTERVIEWS AND CONCLUSIONS. PRINCIPAL POINTS AND THEMES WHICH EMERGED WERE:

A. THERE IS CRITICAL NEED FOR OPENING CONCRETE AND MEANINGFUL DIALOGUE BETWEEN PRODUCING AND CONSUMING GOVERNMENTS. "JAWBONING," PROMISES OF COOPERATION, AND EXCESSIVE RHETORIC ABOUT INTERDEPENDENCE WITHOUT CONCRETE PROPOSALS HAVE CREATED LARGE CREDIBILITY GAP. PRESENT SITUATION IS EXTREMELY TENSE, PROMOTES MISUNDERSTANDING, AND HAS MADE COMMUNICATION DIFFICULT. PRODUCING COUNTRIES FEEL THEY ARE FACED WITH UNREASONABLY HIGH AND ESCALATING PRICES FOR IMPORTS AND A CONSUMING GOVERNMENT POLICY OF CONFRONTATION, LEAD BY U.S.

B. GOI/PERTAMINA OFFICIALS EXPRESSED VIEW THAT USG POLICY AND ACTIONS TO DATE HAVE CONTRIBUTED SUBSTANTIALLY TO GENERAL FEELING OF MOUNTING CONFRONTATION. THEY POINTED OUT USG APPEARS TO BE PURSUING, SINGLE-MINDEDLY, POLICY OF FORCING LOWER OIL PRICES

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TO EXCLUSION OF OTHER ISSUES WHICH PRODUCING COUNTRIES CONSIDER TO BE OF EQUAL IMPORTANCE, I.E., FAIR RETURN ON RESOURCES, NATIONAL DEVELOPMENT NEEDS AND CRIPPLING INFLATION EXPORTED BY DEVELOPED COUNTRIES. CASE IN POINT IS ACTIVITY OF ENERGY COORDINATING GROUP WHICH, BY VERY NATURE, THEY ARGUE, SUPPORTS CONFRONATATION THEORY AND IS VIEWED AS CONSUMING COUNTRY PLAY FOR POSITION RATHER THAN REAL PRECAUTION BECAUSE, IN IDONESIAN VIEW, "IT CANNOT POSSIBLE WORK IN TIME OF EMERGENCY."

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ACTION EA-14

INFO OCT-01 AF-10 ARA-16 EUR-25 NEA-14 ISO-00 AEC-11

AID-20 CEA-02 CIAE-00 CIEP-03 COME-00 DODE-00 EB-11

FPC-01 H-03 INR-11 INT-08 L-03 NSAE-00 NSC-07 OMB-01

PM-07 RSC-01 SAM-01 SCI-06 SP-03 SS-20 STR-08 TRSE-00

FRB-03 FEA-02 PA-04 USIA-15 PRS-01 SWF-02 IO-14 DRC-01

/249 W

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P R 010815Z OCT 74

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC PRIORITY 4683

INFO AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

AMEMBASSY BEIRUT

AMEMBASSY BONN

USEC BRUSSELS 181

AMEMBASSY CARACAS

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C. VIRTUALLY ALL INTERVIEWEES THOUGHT OECD AND OPEC WOULD BE ACCEPTABLE FRAMEWORK FOR COMMENCING DIALOGUE BUT DID NOT BELIEVE USG SHOULD TAKE LEAD. THEY EXPRESSED VIEW, HOWEVER, TALKS CANNOT PROCEED UNTIL US TAKES DRAMATIC STEPS TO CLEAR ATMOSPHERE OF CONFRONATION, IN PARTICULAR BY REFUCUSING PUBLIC STATEMENTS, THESE STEPS MUST INCLUDE AN END TO THREATS AND AN APPRECIATION OF THE BORADER NEEDS AND ASPIRATIONS OF PRODUCING COUNTRIES. CONTINUED PRESSURES BY THE US, EVEN IN CONTEXT OF APPEALS FOR COOPERATION, WILL ONLY FURTHER HARDEN POSITIONNCF PRODUCING NATIONS WHICH CANNOT APPEAR TO BE BUCKLING TO US PRESSURE.

D. WHILE AGREEING RISING OIL PRICES HAVE CONTRIBUTED TO WORLDWIDE INFLATION, INDONESIANS DO NOT BELIEVE OIL PRICE IS ORIGINATING OR PRIMARY CAUSE AND FREQUENTLY MENTIONED PROCEDING INFLATION OF INDUSTRIAL PRODUCTS, CONSUMING COUNTRY EXCISE TACES ON PETROLEUM PRODUCTS, INABILITY TO RESIS LABOR (UNION) WAGE INCREASES AND HIGH COMPANY PROFITS AS EQUAL, IF NOT MORE IMPORTANT, FACTORS. BECAUSE THE OIL PRICING ISSUE IS NOW VERY POLITICAL AND VOLATILE, THEY URGE DISCUSSIONS SHOULD, AT FIRST, BE FOCUSED ON THE BORADER ISSUES OF DEVELOPMENT AND INFLATION. INDONESIANS REJECT OUTRIGHT THAT OIL PRICE IS ARTIFICIALLY STRUCTURED FOR POLITICAL PURPOSES. THEY REPEATEDLY STRESSED THAT INDONESIA IS RELATIVE SMALL OIL PRODUCER (TWO PERCENT OF WORLD PRODUCTION), FOLLOWS OPEC LEAD ON PRICING AND HAS LITTLE OR NO INFLUENCE ON OPEC DECISIONS.

E. THERE WAS LITTLE POSITIVE INTEREST IN ENLARGED BILATERAL GOI-USG RELATIONSHIPS IN OILMATTERS DESPITE RELATIVE MERITS OF ARRANGEMENTS LIKE JAPANESE "OIL LOAN" IN MEETING INDONESIA'S INCREASING CAPITAL REQUIREMENTS; HOWEVER, ALL EXPECTED INCREASED GOVERNMENT INVOLVEMEFL IN ENERGY MATTERS IN THE FUTURE. ALL GOI/PERTAMINA/COMPANY REPS POINTED OUT CONFIDENTIAL

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PRODUCTION-SHARRING CONTRACT UTILIZED IN INDONESIA IS WHOLESOME, BIABLE AND OPERATING EFFICIENTLY.

4. COMMENT.

A. FEA AND DEPARTMENT SHOULD COORDINATE CLOSELY

NOTIFICATION TO POSTS OF FEA CONTRACTROS' VISITS.
IN OUR CASE WE DID NOT RECEIVE INFORMATION (REFTEL
A) UNTIL AFTER COB THURSDAY (9/19) BEFORE
CONTRACTORS' ARRIVAL SUNDAY (9/22). NOTICE DID NOT
SPECIFY LENGTH OF CONTRACTORS' STAY. IT ALSO WOULD
HAVE BEEN HELPFUL TO RECEIVE IN ADVANCE BACKGROUND
DOCUMENTS (SAWHILL AND WILHELM LETTERS, FEA PRESS
RELEASE, STUDY OUTLINE AND ISSUE STATEMENT).

B. WE BELIEVE KRUEGAR AND MERRITT VISIT WAS
BOTH USEFUL AND SUCCESSFUL. IT PROVIDED GOI/PERTAMINA
OFFICIALS WITH OPPORTUNITY TO EXPRESS VIEWS ON VERY
SENSITIVE ISSUES IN LOW-KEY, INFORMAL ATMOSPHERE OF
GIVE AND TAKE INDICATIVE OF TYPE OF APPROACH WHICH
COULD BE USED TO LAY GROUNDWORK FOR FUTURE DIALOGUE.
THEY HANDLED THEIR ASSIGNMENT WELL.

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